

Message Text

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ACTION EB-03

INFO OCT-01 EUR-10 EA-07 NEA-06 ISO-00 AID-05 CIAE-00

COME-00 FRB-01 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-01

OPIC-02 SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 L-02 H-01

NSC-07 SS-14 STR-01 CEA-01 IO-03 DRC-01 /083 W

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R 081536Z OCT 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 4515

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY NEW DELHI

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, NL, IN

SUBJECT: FORUM FOR DEBT RESCHEDULING

REF: STATE 212193 (NOTAL)

1. EMBOFF MET JOINTLY WITH NIERSTRASZ (MINFIN DEPUTY DIRECTOR
FOR FOREIGN FINANCIAL AFFAIRS), BOS (MINFIN DESK OFFICER
FOR AFRICAN AND ASIAN DEVELOPMENT BANKS AND AID/DEBT CLUBS FOR ASIAN/
AFRICAN COUNTRIES) AND MEENG (MFA ACTING CHIEF OF OFFICE FOR
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CONSORTIA AND CONSULTATIVE GROUPS) TO MAKE DEMARCHE REQUESTED

REFTEL. EMBOFF LEFT INFORMAL PAPER WITH PARTICIPANTS QUOTING PARAS 1-3 OF REFTEL, BUT EMPHASIZED DURING ORAL PRESENTATION THAT PROPOSED US POLICY IS NOT DIRECTED AT INDIA PER SE, BUT ADDRESSES BROAD QUESTION OF APPROPRIATENESS OF AID FORA FOR DISCUSSING ALL DEBT RELIEF QUESTIONS. ARGUMENTS IN PARA 5, REFTEL WERE USED IN SUPPORT OF DEMARCHE.

2. MEENG DID MOST OF TALKING, WITH NIERSTRASZ AND BOS REMARKABLY SILENT, EXCEPT FOR OCCASIONAL EXPRESSION OF AGREEMENT WITH MEENG OR TO CONCEDE VALIDITY OF ONE OR ANOTHER ARGUMENT USED BY EMBOFF (PARTICULARLY FIRST POINT OF PARA 5 REFTEL). LARGELY PASSIVE ROLE OF MINFIN REPS DURING DISCUSSION IS PERHAPS SYMPTOMATIC OF APPARENT SHIFT IN LEADERSHIP ON DEBT RELIEF QUESTIONS FROM MINFIN TO MFA UNDER DIRECTION OF AID MINISTER PRONK.

3. FOLLOWING POINTS WERE MADE, MOSTLY BY MEENG: TO DIVORCE CONSIDERATION OF COMMERCIAL DEBT QUESTIONS FROM DEBT ATTRIBUTABLE TO DEVELOPMENT LOANS MAKES PROCESS OF CONSOLIDATION MORE DIFFICULT, AS CREDITOR COUNTRY NEGOTIATORS IN DEBT CLUBS TEND ON ONE HAND TO BE HARDER-NOSED THAN THEIR COUNTERPARTS IN AID CONSORTIA AND ON OTHER HAND TEND TO BE DRAWN FROM DIFFERENT ELEMENTS OF NATIONAL BUREAUCRACIES. REPAYMENT OF DEVT, WHETHER ARISING FROM EXPORT CREDITS OR DEVELOPMENT LOANS, US ULTIMATELY DEPENDENT ON DEBTOR'S DEVELOPMENT FINANCING POSSIBILITIES; RESCHEDULING

OF OBLIGATIONS ARISING FROM EXPORT CREDITS THEREFORE HAS A STRONG DEVELOPMENT IMPCT. FROM LOGICAL POINT OF VIEW, PROPOSED US POLICY WOULD APPEAR TO BE RIGHT, BUT "RIGHT DOES NOT ALWAYS MEAN WISE". IN PARTICULAR, IN VIEW OF THE SEVERE EFFECTS OF THE ENERGY CRISIS ON MANY DEBTOR LDC'S, WOULD THE US BE DISPOSED TO DEAL MORE "HARSHLY" NOW WITH SOME OF THESE LDC'S BY REMOVING CONSIDERATION OF DEBT QUESTIONS FROM PURVIEW OF AID CONSORTIAR AS TO THE APPROPRIATE FORUM FOR CONSIDERING DEBT QUESTIONS OF COUNTRIES WHICH HAVE NOT PREVIOUSLY BEEN THE OBJECT OF RESCHEDULING EXERCISES, THE NETHERLANDS WOULD PREFER TO APPROACH THE ISSUE ON A COUNTRY-BY-COUNTRY BASIS RATHER THAN WEDDING ITSELF TO A UNIFORM APPROACH TO BE

FOLLOWED IN ALL CASES.
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4. EMBOFF DID NOT TAKE ISSUE WITH ARGUMENTS MADE BY MEENG, BUT REITERATED, DIFFICULTY FOR US OF MIXING COMMERCIAL DEBT QUESTIONS WITH AID ISSUES, PARTICULARLY SINCE US CONGRESS IS JEALOUSLY PROTECTIVE OF ITS CONSTITUTIONAL PREROGATIVES IN RESPECT OF LATTER AND COULD BE EXPECTED TO CURB EXECUTIVE BRANCHES' FREEDOM IN DEBT RENEGOTIATION EXERCISES IF IT PERCEIVED THE LATTER AS INDIRECT INSTRUMENTS

OF FOREIGN AID.

5. AS EXAMPLE OF SITUATION WHERE CREDITOR CLUBS NOT SUFFICIENTLY SENSITIVE TO DEBTOR'S DEVELOPMENT REQUIREMENTS, MEENG ALLUDED TO EXPERIENCE WITH GHANA, WHERE CREDITORS HAD PERHAPS BEEN TOO DEMANDING INITIALLY, WITH RESULT THAT EIGHT YEARS LATER QUESTION IS STILL BEING NEGOTIATED ON TERMS CREDITORS WOULD HAVE FOUND INADMISSIBLE AT INITIATION OF EXERCISEE.

6. PARTICIPANTS INDICATED TO EMBOFF THAT PROPOSED US POLICY AND REASONS THEREFORE WERE CLEAR, BUT MEENG WONDERED WHETHER SUCH A POLICY IMPLIED THAT HENCEWORTH US WOULD NOT PARTICIPATE IN COMMERCIAL DEBT RELIEF EXERCISES UNLESS THESE QUESTIONS WERE CONSIDERED IN CREDITOR CLUBS. EMBOFF ASSURED MEENG IT IS NOT US INTENTION TO BOYCOTT ANY OF EXISTING FORA. GOULD

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